Volume No. 1—Policies & Procedures	TOPIC NO.	**50605**
Function No. 50000—Payroll Accounting	**TOPIC**	**TAX AND DEDUCTION OVERRRIDES**
Section No. 50600— Tax and Deduction Adjustments	DATE	October 2004

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Overview

Introduction   Tax and Deduction Overrides modify tax and deduction amounts for the current payroll cycle without changing the Employee Masterfile (EMF). Such overrides may be needed for many different reasons such as:

- Advanced collection of healthcare or flexible spending account premiums.
- Override the automatic tax withholding calculation and enter taxes manually to the Employee Tax Masterfile.
- To stop and/or change an employee's voluntary deduction for one pay period upon request.

Tax and deduction overrides must be processed in conjunction with a regular payment (i.e., the employee must be receiving some amount as Regular pay). If an override must be made to an employee who is not receiving any Regular pay, a Regular pay transaction of one penny must be entered (i.e., on HUA03). This will allow the deduction override to process.

Tax and deduction overrides are entered on the screen, Deduction Overrides (HUD01). Overrides are batch transactions processed overnight, and affect the current pay period only. Permanent deduction and tax changes should be made to the Employee Masterfile.

Taxes should only be overridden in accordance with Federal guidelines as outlined in the Employer's Tax Guide, Circular E. If taxes are overridden, be sure to retain the supporting documentation.

Note: Never make adjustments to OASDI and HI tax withheld fields, unless processing void through CIPPS, or updating the records to reflect taxes the employee has paid outside the system (otherwise, OASDI and HI taxes are self adjusting).
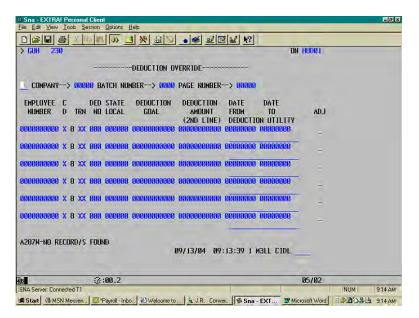
Procedures – Tax and Deduction Overrides

Form Preparation   Prior to entering overrides online, complete the Tax and Deduction Override Form (Form PR-9). The fields on this form correspond to the fields on the data entry screens, Deduction Override (HUD01) and Pay Transaction Balancing (IBC) (HRSBB). Although use of the form is optional, it serves as a source document for the transaction entered. A copy of the form is available on the DOA website at www.doa.virginia.gov.

On-line Data Entry   Tax and deduction override transactions are entered on HUD01. Access HUD01 as instructed in CAPP Topic No. 50110, *CIPPS Navigation.*

EMPLOYEE NUMBER and CD (Required)   Enter the employee's social security number followed by two zeroes.

Procedures – Tax and Deduction Overrides, Continued

HUD01, continued

<table>
<tr><td>TRN 8XX</td><td>8XX is now used to enter tax overrides where the XX indicates the specific tax to be overridden (01 – FIT, 02 – SIT, 04 – LOC, and 05 – SP LOC. (If there is ever a need for a FICA adjustment, contact DOA payroll for assistance.)</td></tr>
<tr><td>DED NO</td><td>Enter the three-digit deduction number identifying the deduction to override. For a complete listing of statewide deductions refer to CAPP Topic No. 60201, <i>CIPPS Codes</i>.</td></tr>
<tr><td>STATE CODE
LOCAL CODE</td><td>Leave blank. These fields are not used.</td></tr>
<tr><td>DEDUCTION GOAL</td><td>Leave blank. This field is not used.</td></tr>
<tr><td>DEDUCTION AMOUNT (Required)</td><td>Enter the one-time increase, decrease, or replacement amount to two decimal places.</td></tr>
<tr><td>DATE FROM
DATE TO</td><td>Leave blank. These fields are not used.</td></tr>
</table>

ADJ   **Adjustment Indicator** - Enter a value indicating whether to replace, increase or decrease the value in the Deduction Amount field.

Value	Description
Blank	Replace the amount in the EMF with the amount entered.
+	Withhold the amount entered in addition to the standard tax or deduction amount specified in the EMF.
-	Reduce the EMF specified tax or deduction amount by the amount entered. **The tax or deduction may not be reduced to a negative value.**

DEDUCTION UTILITY (2nd line)   Leave blank. This field is not used.

Procedures – Tax and Deduction Overrides, Continued

Control Balancing

Batch control totals for tax and deduction overrides are entered on the screen, Pay Transaction Balancing (IBC) (HRSBB). Refer to CAPP Topic 50130, *Batch Processing and Balancing,* for instructions.

Audit Trail

Review the following reports verify that a tax or deduction override has processed by the system:

- Input Transaction Listing (Report 1001)
- Transaction Batch Balance Summary Report (Report 1005).

Internal Control

Internal Control

Agencies must verify that changes to Employee and Tax Masterfiles are properly authorized and have been entered accurately into the system.

Records Retention

Time Period

The Input Transaction Listing (Report 1001) and the Transaction Batch Balance Summary Report (Report 1005) must be retained for 60 days. All other reports should be retained for five years or until audited, whichever is later. The retention of agency source documents/records is determined by agency policy and guidelines.

Contacts

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Subject Cross References

References   CAPP Topic No. 50110, *CIPPS Navigation*
CAPP Topic No. 50130, *Batch Processing and Balancing*
CAPP Topic No. 60201, *CIPPS Codes*